



SEC

OFFICE of INVESTOR
EDUCATION and ADVOCACY

Before You Invest, **Investor.gov**

Investor Bulletin

Savings and Investing Basics for Military Personnel

The SEC's Office of Investor Education and Advocacy is issuing this Investor Bulletin to help military personnel make informed savings and investing decisions and avoid common scams. Here are ten suggestions that can help you understand the basics and protect your hard-earned money.

1 Pay Off High-Interest Debt. Few investments pay as well as paying off high-interest debt on credit cards or other loans. You should also take steps to improve your credit score, which can matter when applying for a new job or mortgage, or when renting an apartment. Learn more about how to maintain a good credit score at the Consumer Financial Protection Bureau's website at consumerfinance.gov.

2 Set Goals and Make a Plan. The best way to attain financial security is by saving and investing over a long period of time. Start today. You can use the SEC's Savings Goal Calculator (investor.gov/additional-resources/free-financial-planning-tools/savings-goal-calculator) to see how much you need to save each month to meet your goals.

3 Start Saving and Investing Early. Because of the power of compound interest (interest calculated on the initial principal and also on interest already earned), starting on the path of saving and investing as early as possible will have tremendous long-term benefits. If your goal was to save \$500,000 for retirement at age 65, by starting at age 25 and investing in a mutual fund averaging 7 percent a year, you'd only have to contribute a little more than \$200 per month. If, however, you got a late

start and didn't begin saving until age 50, you'd have to save more than \$1,600 per month, nearly 8 times the amount to get \$500,000 by age 65. Start investing now!

Learn more about the Blended Retirement System

The Blended Retirement System (BRS) is the new retirement system for the Uniformed Services. It went into effect on January 1, 2018 for all new service members entering service on or after that date. Service members who had fewer than 12 years of service as of December 31, 2017 may opt into the BRS by December 31, 2018. Generally, the BRS lowers the amount of the retirement annuity you can get after 20 years from the existing retirement plan, but adds up to a 5% match for TSP contributions and a continuation pay bonus of at least 2.5 times monthly base pay at the mid-career point in exchange for additional service.

If you take advantage of the BRS, consider maximizing the employer match for TSP by contributing at least 5 percent of your pay to TSP. That's free money! For more information on BRS, see the Department of Defense's BRS page at militarypay.defense.gov/BlendedRetirement/ and MilitaryOneSource.mil, and talk to your base's financial manager/specialist.

4 Take Advantage of the Thrift Savings Plan (TSP). The TSP is the federal government's version of a 401(k) and one of your best options for retirement savings. Contributions can be automatically deducted from your pay and provide tax advantages either today (traditional) or in the future (Roth). TSP offers fees that are much lower than even the average index fund. The TSP website ([TSP.gov](https://www.tsp.gov)) explains the benefits available to the military. You can sign up for TSP using [MyPay](#).

5 Don't Ignore Fees. All investments have fees, and they vary from product to product and from firm to firm. Even small differences in these costs can have a significant impact on earnings over time.

6 Diversification is Important. By picking a mix of investments, you may be able to limit your losses and reduce the ups and downs of your returns without sacrificing much in potential gains. Mutual funds, ETFs and lifecycle funds can help you diversify since these are investments that typically pool money from many investors and then invest the money in stocks, bonds, other securities or assets, or some combination of these investments.

7 Always Check Out a Financial Professional Before Investing. Many cases of investment fraud involve so-called financial "professionals" who are not properly registered. You can find out if a financial professional is registered by using the free database on [Investor.gov](https://www.investor.gov). And, if they are registered, you can also see if he or she has a disciplinary history or any customer complaints. If you have questions, call the SEC's toll-free investor assistance line at 800-732-0330.

8 Be On the Lookout for Fraud. Any offer or sale of securities must either be registered with the SEC or exempt from registration. Otherwise, it is illegal. While many companies that do not register or file reports with the SEC may be exempt from registration, you assume more risk when you invest in a company about which little or no information is publicly available. You

should always check whether an offering is registered with the SEC by using the SEC's EDGAR database, or by contacting the SEC's toll-free investor assistance line at 800-732-0330.

Be Alert to Affinity Fraud. Affinity frauds target members of groups, such as older investors or religious or ethnic communities. The SEC has brought several cases where fraud scams targeted military members and their families—and sometimes the scam artists even served in the military. The lesson from these cases is that even if you know the person making the investment offer, be sure to check out both the investment and the investment professional's background—no matter how trustworthy the person seems.

9 Be Wary of an Investment that Sounds Too Good to be True. Claims that an investment is a "can't miss" opportunity or promises "guaranteed" returns are classic warning signs of fraud. Be alert to any promise of high returns with little or no risk. Never invest before you have a chance to think about it and do research. No legitimate investment requires a rash decision.

10 Contact Us If You Have Questions and Use These Free Resources: If you have questions about investing, or about how to check the license or registration status of an individual or firm, call the SEC's toll-free investor assistance line at 800-732-0330 (dial 1-202-551-6551 if calling from outside of the United States). You can also report a problem concerning your investments or report possible securities fraud to the SEC, or by emailing Help@SEC.gov.

Also, the SEC participates in the Department of Defense's Financial Readiness Roundtable and regularly conducts investor education briefings on investing and avoiding fraud at military bases. If you are interested, contact Outreach@SEC.gov.

The SEC's Office of Investor Education and Advocacy is providing this information as a service to investors. This bulletin is not a statement of official SEC policy, a legal interpretation, or investment advice.